Consolidated Balance Sheet (March 31, 2022)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2022	2021	2022
CURRENT ASSETS:			
Cash and deposits (Note 14)	¥ 42,351	¥ 14,482	$ 346,003
Time deposits (Note 14)	1,876	894	15,325
Receivables (Notes 14 and 19):			
Trade notes	2,416	947	19,738
Trade accounts		30,231	
Trade accounts and contract assets	38,399		313,716
Unconsolidated subsidiaries and affiliates	353	452	2,884
Other	397	730	3,248
Allowance for doubtful receivables	(577)	(392)	(4,712)
Inventories (Note 6)	59,112	57,296	482,938
Prepaid expenses and other current assets	5,134	3,974	41,949
Total current assets	149,461	108,614	1,221,089
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land	3,654	3,593	29,854
Buildings and structures	28,512	23,742	232,941
Machinery and equipment	5,458	4,586	44,594
Tools, furniture, and fixtures	24,636	23,648	201,277
Lease assets	2,736	2,840	22,345
Construction in progress	293	2,529	2,396
Total	65,289	60,938	533,407
Accumulated depreciation	(43,639)	(41,906)	(356,527)
Net property, plant and equipment	21,650	19,032	176,880
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5, 7 and 14)	6,924	8,163	56,567
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 14)	1,971	1,651	16,105
Software	535	527	4,375
Software lease	87	122	707
Goodwill (Note 3)	1,136	1,302	9,282
Deferred tax assets (Note 10)	3,305	2,622	27,000
Other intangible assets	1,647	1,670	13,452
Other assets	2,846	2,685	23,253
Total investments and other assets	18,451	18,742	150,741
TOTAL	¥ 189,562	¥ 146,388	$ 1,548,710

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	2022	2021	2022
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 14)		¥ 6,552	
Current portion of long-term borrowings (Notes 7 and 14)	¥ 4,904	6,167	$ 40,068
Current portion of bonds (Notes 7 and 14)	186	2,736	1,520
Current portion of long-term lease obligations (Notes 7 and 14)	266	274	2,171
Payables (Note 14):			
Trade notes	3,127	2,905	25,549
Trade accounts	10,162	8,697	83,024
Unconsolidated subsidiaries and affiliates	618	765	5,047
Other	7,265	3,035	59,352
Electronically recorded obligations	13,014	9,079	106,321
Income taxes payable	4,030	1,073	32,923
Advances received		13,891	
Contract liabilities (Note 19)	33,351		272,478
Accrued bonuses to employees	1,715	1,463	14,011
Other current liabilities	3,132	10,575	25,591
Total current liabilities	81,770	67,212	668,055
LONG-TERM LIABILITIES:			
Bonds (Notes 7 and 14)	204	390	1,667
Long-term borrowings (Notes 7 and 14)	11,267	16,868	92,048
Long-term lease obligations (Notes 7 and 13)	284	361	2,322
Deferred tax liabilities (Note 10)	343	331	2,806
Liability for employees' retirement benefits (Note 8)	7,827	8,250	63,949
Retirement allowances for directors, executive officers, and Audit & Supervisory Board members (Note 8)	22	16	180
Board Incentive Plan allowances	480	339	3,922
Asset retirement obligations	317	321	2,588
Other long-term liabilities	1,144	1,300	9,338
Total long-term liabilities	21,888	28,176	178,820
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13, 15 and 16)			
EQUITY (Note 9):			
Common stock—authorized, 100,000,000 shares; issued, 51,532,800 shares in 2022 and 48,857,800 shares in 2021	21,394	10,038	174,789
Capital surplus	21,271	9,915	173,785
Retained earnings	40,679	29,664	332,353
Treasury stock—at cost, 539,847 shares in 2022 and 544,240 shares in 2021	(1,022)	(1,059)	(8,355)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	3,605	4,113	29,455
Deferred loss on derivatives under hedge accounting	(69)	(25)	(564)
Foreign currency translation adjustments	(142)	(1,458)	(1,161)
Defined retirement benefit plans	188	(188)	1,533
Total equity	85,904	51,000	701,835
TOTAL	¥ 189,562	¥ 146,388	$ 1,548,710

Consolidated Statement of Income (Year Ended March 31, 2022)

	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars (Note 1) 2022
NET SALES (Note 12)	¥ 138,408	¥ 110,440	$ 1,130,785
COST OF SALES (Note 12)	83,043	67,547	678,456
Gross profit	55,365	42,893	452,329
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11 and 12)	41,221	37,669	336,772
Operating income	14,144	5,224	115,557
OTHER INCOME (EXPENSES):			
Interest and dividend income	232	189	1,892
Revenue from performance of research and development services	96	93	782
Insurance claim receipt	13	31	104
Subsidy income	729		5,956
Interest expense	(130)	(159)	(1,062)
Foreign exchange gain—net	832	613	6,800
Loss on sales of trade receivables	(7)	(6)	(54)
Gain (loss) on sales and disposals of property, plant and equipment—net	(35)	97	(288)
Loss on write-down of investment securities	(21)	(15)	(171)
Equity in earnings of unconsolidated subsidiaries and affiliates	193	243	1,579
Gain on sales of investment securities	395		3,224
Impairment loss		(1,017)	
Other—net	211	322	1,726
Other income—net	2,508	391	20,488
INCOME BEFORE INCOME TAXES	16,652	5,615	136,045
INCOME TAXES (Note 10):			
Current	4,797	2,081	39,189
Deferred	(424)	(211)	(3,462)
Total income taxes	4,373	1,870	35,727
NET INCOME	12,279	3,745	100,318
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 12,279	¥ 3,745	$ 100,318

	Yen 2022	Yen 2021	U.S. Dollars 2022
PER SHARE OF COMMON STOCK (Notes 2.v and 17):			
Basic net income	¥ 246.78	¥ 77.51	$ 2.02
Cash dividends applicable to the year	50.00	24.00	0.41

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income (Year Ended March 31, 2022)

	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars (Note 1) 2022
NET INCOME	¥ 12,279	¥ 3,745	$ 100,318
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	(508)	1,816	(4,151)
Deferred loss on derivatives under hedge accounting	(44)	(96)	(359)
Foreign currency translation adjustments	1,174	551	9,594
Defined retirement benefit plans	376	1,108	3,072
Share of other comprehensive gain (loss) in unconsolidated subsidiaries and affiliates	142	(44)	1,158
Total other comprehensive income	1,140	3,335	9,314
COMPREHENSIVE INCOME	¥ 13,419	¥ 7,080	$ 109,632
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 13,419	¥ 7,080	$ 109,632
Noncontrolling interests			

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity (Year Ended March 31, 2022)

	Thousands	Millions of Yen								
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)				Total Equity
						Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	
BALANCE, APRIL 1, 2020	48,858	¥ 10,038	¥ 9,915	¥ 27,089	¥ (1,069)	¥ 2,297	¥ 71	¥ (1,965)	¥ (1,296)	¥ 45,080
Net income attributable to owners of the parent				3,745						3,745
Cash dividends, for prior year-end, ¥12 per share, and for current year interim, ¥12 per share				(1,170)						(1,170)
Purchase of treasury stock					(1)					(1)
Disposal of treasury stock					11					11
Net change in the year						1,816	(96)	507	1,108	3,335
BALANCE, MARCH 31, 2021	48,858	10,038	9,915	29,664	(1,059)	4,113	(25)	(1,458)	(188)	51,000
Cumulative effect of changes in accounting policies				(1)						(1)
BALANCE, MARCH 31, 2021 (as restated)	48,858	10,038	9,915	29,663	(1,059)	4,113	(25)	(1,458)	(188)	50,999
Net income attributable to owners of the parent				12,279						12,279
Issuance of new shares	2,675	11,356	11,356							22,712
Cash dividends, for prior year-end, ¥14 per share, and for current year interim, ¥36 per share				(1,305)						(1,305)
Purchase of treasury stock					(1)					(1)
Disposal of treasury stock					38					38
Increase due to accounting term alterations of subsidiary				42						42
Net change in items other than shareholders' equity						(508)	(44)	1,316	376	1,140
BALANCE, MARCH 31, 2022	51,533	¥ 21,394	¥ 21,271	¥ 40,679	¥ (1,022)	¥ 3,605	¥ (69)	¥ (142)	¥ 188	¥ 85,904

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)				Total Equity
					Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	
BALANCE, MARCH 31, 2021	$ 82,008	$ 81,004	$ 242,361	$ (8,656)	$ 33,606	$ (205)	$ (11,913)	$ (1,539)	$ 416,666
Cumulative effect of changes in accounting policies			(16)						(16)
BALANCE, MARCH 31, 2021 (as restated)	82,008	81,004	242,345	(8,656)	33,606	(205)	(11,913)	(1,539)	416,650
Net income attributable to owners of the parent			100,318						100,318
Issuance of new shares	92,781	92,781							185,562
Cash dividends, for prior year-end, $0.11 per share, and for current year interim, $0.29 per share			(10,658)						(10,658)
Purchase of treasury stock				(12)					(12)
Disposal of treasury stock				313					313
Increase due to accounting term alterations of subsidiary			348						348
Net change in items other than shareholders' equity					(4,151)	(359)	10,752	3,072	9,314
BALANCE, MARCH 31, 2022	$ 174,789	$ 173,785	$ 332,353	$ (8,355)	$ 29,455	$ (564)	$ (1,161)	$ 1,533	$ 701,835

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows (Year Ended March 31, 2022)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
OPERATING ACTIVITIES:			
Income before income taxes	¥ 16,652	¥ 5,615	$ 136,045
Adjustments for:			
Income taxes—paid	(2,245)	(2,606)	(18,342)
Depreciation and amortization	4,106	3,626	33,544
Amortization of goodwill	230	590	1,877
Gain (loss) on sales and disposals of property, plant and equipment—net	35	(97)	288
Gain (loss) on write-down of investment securities	(374)	15	(3,053)
Increase in contract liabilities	12,262		100,181
Subsidy income	(729)		(5,956)
Impairment loss		1,017	
Equity in earnings of unconsolidated subsidiaries and affiliates	(193)	(243)	(1,579)
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	(8,940)	(295)	(73,043)
Increase in inventories	(1,847)	(3,457)	(15,089)
Increase (decrease) in trade notes and accounts payable	5,001	(2,577)	40,854
Increase in advances received		684	
Increase (decrease) in provision for accrued bonuses to employees	241	(1)	1,972
Decrease in liability for employees' retirement benefits	(63)	(112)	(513)
Increase in retirement allowances for directors, executive officers, and Audit & Supervisory Board members	186	92	1,521
Other—net	(1,718)	1,108	(14,039)
Total adjustments	5,952	(2,256)	48,623
Net cash provided by operating activities	22,604	3,359	184,668
INVESTING ACTIVITIES:			
Increase in time deposits—net	(5)	(472)	(44)
Proceeds from sales of investment securities	864		7,060
Proceeds from sales of property, plant and equipment	62	242	508
Purchases of property, plant and equipment	(1,159)	(6,650)	(9,472)
Purchases of intangible assets	(356)	(379)	(2,911)
Other—net	(55)	270	(442)
Net cash used in investing activities	(649)	(6,989)	(5,301)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans—net	(6,536)	(2,899)	(53,401)
Proceeds from long-term borrowings		13,648	
Repayments of long-term borrowings	(6,167)	(4,041)	(50,381)
Payment for redemption of bonds	(2,736)	(1,886)	(22,353)
Purchase of treasury stock	(1)	(1)	(12)
Cash dividends paid	(1,303)	(1,170)	(10,646)
Proceeds from issuance of common shares	22,599		184,634
Other—net	(339)	(355)	(2,766)
Net cash provided by financing activities	5,517	3,296	45,075
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	936	783	7,654
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,408	449	232,096
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,482	14,033	118,316
NET DECREASE IN CASH AND CASH EQUIVALENTS FROM ACCOUNTING TERM ALTERATIONS OF SUBSIDIARIES	(539)		(4,409)
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 42,351	¥ 14,482	$ 346,003

See notes to consolidated financial statements.

❶ BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards ("IFRSs").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which JEOL Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥122.4 to $1, the approximate rate of exchange at March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

❷ SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2022, include the accounts of the Company and its 20 (21 in 2021) significant subsidiaries (together, the "Group").

JEOL Technics LTD., one of its consolidated subsidiaries, is excluded from the consolidation scope because it was dissolved following an absorption-type merger in which the Company was the surviving company.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 9 (9 in 2021) unconsolidated subsidiaries and 3 (3 in 2021) affiliates are accounted for by the equity method.

Goodwill represents the excess of the fair value of the net assets of the acquired subsidiaries at the date of acquisition over their cost.

Goodwill is amortized on a straight-line basis within 10 years, with the exception of minor amounts which are charged to income when incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

Effective from the current consolidated fiscal year, JEOL KOREA LTD. changed its fiscal year-end from December 31 to March 31, which is the same date as the consolidated fiscal year-end. Profits and losses occurring from January 1, 2021 to March 31, 2021, are adjusted in the retained earnings.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRSs or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC)) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development ("R&D"); (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform associates' accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associates' financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRSs or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. Business Combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and securities which mature or become due within three months of the date of acquisition.

f. Inventories

Finished products are mainly stated at the lower of cost, determined by the moving-average cost method, or net selling value. Finished products of consolidated foreign subsidiaries are stated at the lower of cost, determined by the specific identification method, or net selling value. Work in process is mainly stated at the lower of cost, determined by the specific identification method, or net selling value.

Raw materials and supplies are stated at cost, determined by the moving-average cost method, or net selling value.

g. Investment Securities

All securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Nonmarketable available-for-sale equity securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Effective April 1, 2021, the Company applied ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement" and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," and revised related ASBJ Statements and ASBJ Guidance (the "New Accounting Standards"). Under the New Accounting Standards, nonmarketable available-for-sale equity securities are stated at cost, while under the previous accounting standards, nonmarketable available-for-sale securities are stated at cost. The Company applied the New Accounting Standards prospectively.

h. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to all property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is from 7 to 65 years for buildings and structures and from 2 to 15 years for tools, furniture, and fixtures.

Lease assets are depreciated by the straight-line method over their respective lease periods. The useful lives for lease assets are based on the terms of the respective leases.

i. Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Accumulated depreciation includes the accumulated amounts of impairment losses.

j. Software

Software development costs for internal use are deferred at cost less accumulated amortization, which is calculated by the straight-line method over the estimated useful lives (five years).

k. Stock Issue Costs

Stock issue costs are amortized to income by the straight-line method over three years in accordance with ASBJ PITF No. 19, "Tentative Solution on Accounting for Deferred Assets," which was issued by the ASBJ in August 2006.

l. Bond Issue Costs

Bond issue costs incurred on or after May 1, 2006, are amortized by the straight-line method over the bond term in accordance with ASBJ PITF No. 19, "Tentative Solution on Accounting for Deferred Assets," which was issued by the ASBJ on August 11, 2006, and is effective for fiscal years ending on or after May 1, 2006.

m. Retirement and Pension Plans

Employees of the Company and certain consolidated subsidiaries who retire at or after the age of 60 are entitled to approximately 60% of their benefits in the form of an annuity. The funds for the annuity payments are entrusted to an outside trustee.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income) after adjusting for tax effects and are recognized in profit or loss over 12 years and 11 to 12 years, respectively, no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

n. Asset Retirement Obligations

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. Revenues Recognition

The Group recognizes revenue under the following five-step approach for contracts with customers.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

For details of the criteria for revenue recognition, see Note 19, "Revenues Recognition."

p. R&D

R&D costs are charged to income as incurred.

q. Leases

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the consolidated balance sheet.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

r. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

s. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

t. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

u. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Gains or losses on derivatives used for hedging purposes, if qualified for hedge accounting because of a high correlation and effectiveness between the hedging instruments and the hedged items, are deferred until maturity of the hedged transactions.

Forward contracts applied to forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

v. Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

For the years ended March 31, 2022 and 2021, diluted net income per share is not disclosed because the Company no longer has convertible securities.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

w. Accounting Changes and Error Corrections

Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, such financial statements are restated.

3 SIGNIFICANT ACCOUNTING ESTIMATES

Evaluation of Goodwill and Other Intangible Assets

(1) Carrying amounts

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Goodwill	¥ 1,136	¥ 1,302	$ 9,282
Other intangible assets —Customer relationships	569	597	4,650
Other intangible assets —Developed technologies	691	746	5,642

(2) Information on the accounting estimate

Goodwill and other intangible assets were recognized as a result of the acquisitions of JEOL KOREA LTD., and INTEGRATED DYNAMIC ELECTRON SOLUTIONS, INC. (IDES). Estimated excess earning power and economic benefits are based on future business plan, which is predicted to be consistent for the fiscal year. However, if there is an unpredictable change in the assumption of sales orders and sales volume on the research and development budgets of government agencies and trends in capital investment of companies used in future business based plans, it may have a significant impact on the amount to be recognized in the consolidated financial statement for the next fiscal year.

4 CHANGES IN ACCOUNTING POLICY

Accounting Standard for Revenue Recognition

Effective April 1, 2021, the Company adopted ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition," issued on March 31, 2020 and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to customers.

As a result, the transactions of the Company related to semiconductor maintenance and services, which have been historically recognized over the contract term, are now recognized at the point when the promised services are accepted by the customer.

With regard to the adoption of the standard, the Company applied transitional provisions outlined in the proviso of article 84 of Accounting Standard for Revenue Recognition in which the cumulative effect of initially applying this standard to be accounted as an adjustment to the opening balance of retained earnings of this consolidated fiscal year.

However, the Company also applied transitional provisions outlined in the article 86 of Accounting Standard for Revenue Recognition and did not restate revenue of transactions for which substantially all amount of revenue were recognized under the previous accounting policy. As a result, the adoption of the new revenue standard did not have a material impact on the consolidated financial statements.

In accordance with the standard, "Trade accounts" in current assets and "Advances received" and part of "Others" in current liability in the consolidated balance sheet in the previous reporting period are now classified as "Trade accounts and contract assets" and "Contract liabilities" respectively in the consolidated fiscal year. Additionally, the Company applied transitional provisions outlined in the article 89-2 of Accounting Standard for Revenue Recognition and did not restate abovementioned accounts in the prior periods presented. The Company also applied transitional provisions transitional provisions outlined in the article 89-3 and did not disclose the comparative period of disaggregation of revenue from contracts with customers.

Accounting Standard for Fair Value Measurement

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019) was introduced at the beginning of this consolidated fiscal year, and the new accounting policy specified by the Accounting Standard for Financial Instruments is applied thereafter in compliance to the transitional provisions specified in Section 19 of the Accounting Standard for Fair Value Measurement and Section 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued on July 4, 2019). The application did not have any impact on the consolidated financial statements.

Also, matters related to breakdowns of financial instruments per current price are disclosed in the notes of "Financial Instruments and Related Disclosures." However, in compliance to the transitional provisions specified in Section 7-4 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), those related to the previous consolidated fiscal year are not disclosed.

5 INVESTMENT SECURITIES

Investment securities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Noncurrent:			
Marketable equity securities	¥ 6,867	¥ 8,105	$ 56,101
Nonmarketable securities	57	58	466
Total	¥ 6,924	¥ 8,163	$ 56,567

The costs and aggregate fair values of investment securities at March 31, 2022 and 2021, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2022				
Securities classified as available-for-sale equity securities	¥ 1,795	¥ 5,157	¥ 85	¥ 6,867
March 31, 2021				
Securities classified as available-for-sale equity securities	¥ 2,284	¥ 5,864	¥ 43	¥ 8,105

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2022				
Securities classified as available-for-sale equity securities	$ 14,661	$ 42,136	$ 697	$ 56,100

The information for available-for-sale securities which were sold during the year ended March 31, 2022, is as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Loss
March 31, 2022			
Available-for-sale—Equity securities	¥ 864	¥ 395	¥ 21

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Loss
March 31, 2022			
Available-for-sale—Equity securities	$ 7,060	$ 3,224	$ 171

No investment securities were sold during the year ended March 31, 2021.

The impairment loss on available-for-sale equity securities for the years ended March 31, 2022 and 2021, was ¥21 million ($171 thousand) and ¥15 million, respectively.

The Company recognizes impairment loss for the full amount of securities when the fair value declines below 50% of the acquisition cost and for amounts deemed necessary after consideration of recoverability when the fair value declines by 30% to 50% of the acquisition cost.

6 INVENTORIES

Inventories at March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Finished products	¥ 13,978	¥ 14,062	$ 114,197
Work in process	42,217	40,689	344,913
Raw materials and supplies	2,917	2,545	23,828
Total	¥ 59,112	¥ 57,296	$ 482,938

7 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2022 and 2021, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.52% to 1.68% at March 31, 2021.

Long-term debt at March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unsecured 0.16% yen bonds, due 2021		¥ 1,500	
Unsecured 0.01% yen bonds, due 2021		50	
Unsecured 0.10% yen bonds, due 2021		1,000	
Unsecured 0.03% yen bonds, due 2023	¥ 120	180	$ 981
Unsecured 0.07% yen bonds, due 2023	270	396	2,206
Loans from banks and insurance companies, due serially to 2027 with interest rates ranging from 0.31% to 0.70% (2022) and from 0.29% to 0.70% (2021):			
Collateralized	7,295	9,233	59,600
Unsecured	8,876	13,802	72,516
Lease obligations	550	635	4,493
Total	17,111	26,796	139,796
Less current portion	(5,356)	(9,177)	(43,759)
Long-term debt, less current portion	¥ 11,755	¥ 17,619	$ 96,037

Annual maturities of long-term debt, excluding finance leases (see Note 13), at March 31, 2022, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 5,090	$ 41,588
2024	4,944	40,388
2025	3,998	32,666
2026	1,519	12,410
2027	660	5,392
2028 and thereafter	350	2,859
Total	¥ 16,561	$ 135,303

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥0 million ($0 thousand) and ¥2,806 million, current portion of long-term borrowings of ¥1,946 million ($15,900 thousand) and ¥1,937 million, and long-term borrowings of ¥5,349 million ($43,699 thousand) and ¥7,295 million at March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Land	¥ 535	¥ 535	$ 4,373
Buildings and structures—net of accumulated depreciation	3,159	3,580	25,808
Machinery and equipment—net of accumulated depreciation	2	2	12
Investment securities	3,360	3,259	27,453
Total	¥ 7,056	¥ 7,376	$ 57,646

In addition to the above loan balances, in order to increase liquidity, the Company entered into a committed loan facility agreement for an aggregated amount of ¥9,000 million ($73,529 thousand), with a syndicate of six Japanese banks, arranged by MUFG Bank, Ltd. The details of this agreement at March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Total amount of commitment line contract	¥ 9,000	¥ 9,000	$ 73,529
Net	¥ 9,000	¥ 9,000	$ 73,529

The committed loan facility agreement includes financial covenants with which the Company is in compliance. The financial covenants are as follows. As of March 31, 2022, there was no infringement of the debt covenants.

(a) The amount of the Group's net assets at the end of the fiscal year
(b) The amount of the Group's net assets at the end of the previous fiscal year
(c) The amount of the Group's net assets at the end of the fiscal year 2011—¥14,388 million

(a) must not fall below 75% of the larger of (b) or (c).

8 RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees, directors, executive officers, and Audit & Supervisory Board members. Certain consolidated foreign subsidiaries also have pension plans.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for retirement benefits at March 31, 2022 and 2021, for directors and Audit & Supervisory Board members is ¥22 million ($180 thousand) and ¥16 million, respectively. The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders.

(1) The changes in defined benefit obligation for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥ 18,089	¥ 17,762	$ 147,782
Current service cost	1,090	984	8,905
Interest cost	157	145	1,281
Actuarial losses (gains)	508	(28)	4,148
Benefits paid	(1,389)	(778)	(11,346)
Change from simple method to principle method	585		4,778
Others	7	4	63
Balance at end of year	¥ 19,047	¥ 18,089	$ 155,611

Note: The amount of change from simple method to principle method resulted from the acceptance of JEOL Technics LTD.'s retirement benefit obligations due to the merger. JEOL Technics LTD. had applied the simplified method.

(2) The changes in plan assets for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥ 10,390	¥ 8,837	$ 84,885
Expected return on plan assets	205	164	1,674
Actuarial losses	862	810	7,039
Contributions from the employer	834	1,050	6,812
Benefits paid	(822)	(472)	(6,720)
Others	2	1	21
Balance at end of year	¥ 11,471	¥ 10,390	$ 93,711

(3) The changes in liability for retirement benefits under the simplified method for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥ 551	¥ 538	$ 4,506
Net periodic benefit costs	41	28	331
Benefits paid	(26)	(15)	(215)
Change from simple method to principle method	(315)		(2,573)
Balance at end of year	¥ 251	¥ 551	$ 2,049

Note: The amount of change from simple method to principle method resulted from the acceptance of JEOL Technics LTD.'s retirement benefit obligations due to the merger. JEOL Technics LTD. had applied the simplified method.

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Funded defined benefit obligation	¥ 18,858	¥ 18,776	$ 154,065
Plan assets	(11,471)	(10,928)	(93,711)
Total	7,387	7,848	60,354
Unfunded defined benefit obligation	440	402	3,595
Net liability arising from defined benefit obligation	¥ 7,827	¥ 8,250	$ 63,949

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Liability for retirement benefits	¥ 7,827	¥ 8,250	$ 63,949
Net liability arising from defined benefit obligation	¥ 7,827	¥ 8,250	$ 63,949

(5) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost	¥ 1,090	¥ 984	$ 8,905
Interest cost	157	145	1,281
Expected return on plan assets	(205)	(164)	(1,674)
Recognized actuarial losses	66	278	538
Amortization of prior service cost	(10)	(10)	(79)
Change from simple method to principle method	270		2,205
Benefit costs accounted for by the simplified method	40	29	331
Net periodic benefit costs	¥ 1,408	¥ 1,262	$ 11,507

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Prior service cost	¥ (10)	¥ (9)	$ (79)
Actuarial losses	386	1,117	3,151
Total	¥ 376	¥ 1,108	$ 3,072

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized prior service cost	¥ (2)	¥ (12)	$ (20)
Unrecognized actuarial (gains) losses	(186)	200	(1,513)
Total	¥ (188)	¥ 188	$ (1,533)

(8) Plan assets

a.Components of plan assets

Plan assets as of March 31, 2022 and 2021, consisted of the following:

	2022	2021
Debt investments	16%	15%
Equity investments	32	31
Cash and cash equivalents	0	0
General account	47	47
Others	5	7
Total	100%	100%

b.Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined based on current and future long-term rates of return from various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2022 and 2021, are set forth as follows:

	2022	2021
Discount rate	0.8%	0.8%
Expected rate of return on plan assets	1.9	1.9

(10) Defined contribution plans

Retirement benefit costs of defined contribution plans as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Retirement benefit costs of defined contribution plans	¥ 211	¥ 248	$ 1,726

9 EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

d. Share Consolidation

Based on the resolution at the general meeting of shareholders held on June 17, 2018, the Company consolidated its shares at a rate of one share for every two shares and changed the number of its shares constituting one unit from 1,000 shares to 100 shares effective October 1, 2018.

e. Issuance of New Shares

The Company has issued new shares by the method of public offering and third-party allotment on September 15, 2021 and September 28, 2021. The contents are as follows:

a. Issuance of new share by way of public offering

(1) Class and number of issued shares	2,000,000 shares of common stock of the Company
(2) Issue price	¥8,490.8 ($69.37) per share
(3) Total issue amount	¥16,982 million ($138,738 thousand)
(Amount of capital increase)	¥8,491 million ($69,369 thousand)
(Amount of additional paid-in capital increase)	¥8,491 million ($69,369 thousand)

b. Issuance of new share by way of third-party allotment in relation with offering by way of over allotment

(1) Class and number of issued shares	675,000 shares of common stock of the Company
(2) Issue price	¥8,490.8 ($69.37) per share
(3) Total issue amount	¥5,730 million ($46,824 thousand)
(Amount of capital increase)	¥2,865 million ($23,412 thousand)
(Amount of additional paid-in capital increase)	¥2,865 million ($23,412 thousand)
(4) Allottee	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

10 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2022 and 2021.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2022 and 2021, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Accrued bonuses to employees	¥ 495	¥ 419	$ 4,040
R&D costs	666	585	5,440
Accrued enterprise taxes	280	73	2,285
Loss on write-down of inventories	407	389	3,327
Unrealized intercompany profits of inventories	1,083	859	8,848
Property, plant and equipment	411	344	3,357
Amortization of software	985	960	8,051
Impairment loss	8	9	66
Loss on write-down of investment securities	127	198	1,039
Liability for employees' retirement benefits	2,609	2,566	21,314
Tax loss carryforwards	67	65	550
Retirement allowances for directors, executive officers, and Audit & Supervisory Board members	25	23	207
Other	1,478	1,181	12,069
Less valuation allowance	(3,192)	(2,884)	(26,076)
Total	5,449	4,787	44,517
Deferred tax liabilities	(2,144)	(2,165)	(17,517)
Net deferred tax assets	¥ 3,305	¥ 2,622	$ 27,000
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (1,467)	¥ (1,707)	$ (11,984)
Undistributed earnings of affiliates	(391)	(335)	(3,192)
Other	(631)	(454)	(5,147)
Total	(2,489)	(2,496)	(20,323)
Deferred tax assets	2,144	2,165	17,517
Net deferred tax liabilities	¥ (343)	¥ (331)	$ (2,806)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2022, with the corresponding figures for 2021, is as follows:

	2022	2021
Normal effective statutory tax rate	30.6%	30.6%
Impairment loss		5.5
Expenses not deductible for income tax purposes	(0.2)	1.0
Inhabitant tax on per capita basis	0.3	0.8
Unrealized intercompany profits	0.3	0.3
Difference in tax rates of foreign subsidiaries	(1.2)	(2.5)
Foreign tax credit	0.4	0.4
Tax credit	(5.5)	(4.5)
Less valuation allowance	2.0	(1.5)
Other—net	(0.4)	3.2
Actual effective tax rate	26.3%	33.3%

11 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Depreciation and amortization, R&D costs, net periodic retirement benefit costs, and amortization of goodwill for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Depreciation and amortization	¥ 1,469	¥ 1,310	$ 12,005
R&D costs	8,516	8,064	69,577
Net periodic retirement benefit costs	423	457	3,455
Amortization of goodwill	230	590	1,877

12 RELATED-PARTY DISCLOSURES

Transactions of the Group with unconsolidated subsidiaries and affiliates for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Sales	¥ 926	¥ 996	$ 7,565
Purchases	1,561	1,614	12,756
Selling, general and administrative expenses	1,680	1,435	13,723

13 LEASES

The Group leases certain machinery, computer equipment, office space, and other assets.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2022 and 2021, were ¥1,877 million ($15,339 thousand) and ¥1,885 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2022		2021		2022	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 266	¥ 165	¥ 274	¥ 161	$ 2,171	$ 1,350
Due after one year	284	537	361	241	2,322	4,391
Total	¥ 550	¥ 702	¥ 635	¥ 402	$ 4,493	$ 5,741

14 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly long-term debt including borrowings and bonds, to finance capital investment for scientific instruments and industrial equipment. Cash surpluses, if any, are invested in low-risk financial assets. Borrowings are used to fund the Company's ongoing operations. Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks and Risk Management for Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year.

Maturities of borrowings, bonds, and lease obligations are less than five years after the consolidated balance sheet date. Although a part of such borrowings and bonds are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.

Derivatives mainly include forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and from changes in interest rates of borrowings and bonds.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount. Please see Note 15 for more details about derivatives.

(3) Fair Values of Financial Instruments

Fair values of financial instruments are as follows: Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of cash and cash equivalents, trade notes, trade accounts, electronically recorded obligations and short-term bank loans are not disclosed because their maturities are short and the carrying values approximate fair value. Also, please see Note 15 for the details of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2022	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	¥ 6,867	¥ 6,867	
Total	¥ 6,867	¥ 6,867	
Long-term debt	¥ 16,561	¥ 16,494	¥ (67)
Total	¥ 16,561	¥ 16,494	¥ (67)

	Millions of Yen		
March 31, 2021	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	¥ 8,105	¥ 8,105	
Total	¥ 8,105	¥ 8,105	
Long-term debt	¥ 26,161	¥ 26,156	¥ (5)
Total	¥ 26,161	¥ 26,156	¥ (5)

	Thousands of U.S. Dollars		
March 31, 2022	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	$ 56,101	$ 56,101	
Total	$ 56,101	$ 56,101	
Long-term debt	$ 135,302	$ 134,755	$(547)
Total	$ 135,302	$ 134,755	$(547)

(b) Carrying amount of financial instruments whose fair values cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Investments in equity instruments that do not have a quoted market price in an active market	¥ 2,028	¥ 1,709	$ 16,571

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen
March 31, 2022	Due in 1 Year or Less
Cash and deposits	¥ 42,351
Time deposits	1,876
Receivables	40,988
Total	¥ 85,215

	Millions of Yen
March 31, 2021	Due in 1 Year or Less
Cash and deposits	¥ 14,482
Time deposits	894
Receivables	31,968
Total	¥ 47,344

	Thousands of U.S. Dollars
March 31, 2022	Due in 1 Year or Less
Cash and deposits	$ 346,003
Time deposits	15,325
Receivables	334,874
Total	$ 696,202

Please see Note 7 for annual maturities of long-term debt and Note 13 for obligations under finance leases.

(5) Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

	Millions of Yen			
March 31, 2022	Level 1	Level 2	Level 3	Total
Investment securities	¥ 6,867			¥ 6,867

	Thousands of U.S. Dollars			
March 31, 2022	Level 1	Level 2	Level 3	Total
Investment securities	$ 56,101			$ 56,101

(b) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

	Millions of Yen			
March 31, 2022	Level 1	Level 2	Level 3	Total
Long-term debt		¥ 16,494		¥ 16,494
Derivative transactions		99		99
Total liabilities		¥ 16,593		¥ 16,593

	Thousands of U.S. Dollars			
March 31, 2022	Level 1	Level 2	Level 3	Total
Long-term debt		$ 134,755		$ 134,755
Derivative transactions		813		813
Total liabilities		$ 135,568		$ 135,568

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment Securities

The fair values of investment securities are measured at the quoted market price. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1.

Derivatives

The fair values of interest rate swaps and foreign currency forward contracts are measured by using discounted present value techniques considering observable inputs such as interest rates and foreign currency exchange rate, and are categorized as Level 2.

Long-Term Debt

The fair values of long-term debt are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

⑮ DERIVATIVES

The Group enters into foreign currency forward contracts to hedge exchange rate risk associated with certain assets denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exchange rate risk exposures arising from the Group's ordinary business activities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

With respect to derivative transactions, basic policies are decided by the Board of Directors. Derivative transactions are executed within the necessary range and managed by the financial affairs division.

Derivative Transactions to Which Hedge Accounting Is Applied

	Millions of Yen			
March 31, 2022	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—Selling USD	Receivables	¥ 2,460		¥ (99)
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	881	¥ 591	

	Millions of Yen			
March 31, 2021	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—Selling USD	Receivables	¥ 2,839		¥ (36)
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	1,265	¥ 881	

	Thousands of U.S. Dollars			
March 31, 2022	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—Selling USD	Receivables	$ 20,098		$ (813)
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	7,198	$ 4,828	

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in that of hedged items (i.e., long-term debt).

⑯ CONTINGENT LIABILITIES

At March 31, 2022 and 2021, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Guarantees of advances received and borrowings of an unconsolidated subsidiary	¥ 862	¥ 883	$ 7,045

⑰ NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2022 and 2021, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year Ended March 31, 2022				
Basic EPS—Net income available to common shareholders	¥ 12,279	49,757	¥ 246.78	$ 2.02
Year Ended March 31, 2021				
Basic EPS—Net income available to common shareholders	¥ 3,745	48,317	¥ 77.51	

For the years ended March 31, 2022 and 2021, diluted EPS is not disclosed because the Company no longer has convertible securities.

The Company's shares held by the Board Incentive Plan Trust are included in the treasury stock to be deducted when computing the average number of shares during the fiscal year for the calculation of basic net income per share and diluted net income per share.

18 OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ (375)	¥ 2,499	$ (3,062)
Reclassification adjustments to profit or loss	(373)	15	(3,053)
Amount before income tax effect	(748)	2,514	(6,115)
Income tax effect	(240)	698	(1,964)
Total	¥ (508)	¥ 1,816	$ (4,151)
Deferred loss on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ 125	¥ (303)	$ 1,022
Reclassification adjustments to profit or loss	(188)	164	(1,539)
Amount before income tax effect	(63)	(139)	(517)
Income tax effect	(19)	(43)	(158)
Total	¥ (44)	¥ (96)	$ (359)
Foreign currency translation adjustments	¥ 1,174	¥ 551	$ 9,594
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 354	¥ 844	$ 2,891
Reclassification adjustments to profit	22	264	181
Amount before income tax effect	376	1,108	3,072
Total	¥ 376	¥ 1,108	$ 3,072
Share of other comprehensive gain (loss) in unconsolidated subsidiaries and affiliates:			
Gains (losses) arising during the year	¥ 142	¥ (44)	$ 1,158
Amount before income tax effect	142	(44)	1,158
Total	¥ 142	¥ (44)	$ 1,158
Total other comprehensive income	¥ 1,140	¥ 3,335	$ 9,314

19 REVENUES RECOGNITION

(1) Disaggregation of Revenue

Disaggregation of revenues from contracts with clients are provided in Note 20.

(2) Basic Information to Understand Revenues from Contracts with Customers

(a) Product sales

The Group manufactures and sells electron optical equipment, analytical equipment, metrology/inspection equipment, industrial equipment, and medical equipment. For these products, the Company recognizes revenue when it transfers significant risks and rewards of ownership of products to its customers, that is the point of time when its performance obligations are satisfied. Specifically, revenue is recognized when the goods are transferred to the customer at the time of shipment, customer receipt, or upon customer approval depending on the terms of sale. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and subtracts discounts and other price concession. The Company's payment terms of its transactions are generally typical and agreed-upon deferred payment term is immaterial. Majority of payments are due within one year from when the Company recognized revenue, and do not contain a significant financing component which required to adjust the balance of account receivables. Furthermore, no significant financial element is adjusted for operating receivables because payment of any product sold is normally received within one year from the time of revenue recognition. Sales revenue is recognized, unbilled amount is recorded as contract asset, and advance received from client is recorded as contract liability.

(b) Maintenance and services

The Company provides maintenance and services accompanying the products sold. Revenue is recognized when the significant risks and ownership of maintenance and services are transferred to the client and its obligation performance has been fulfilled. Specifically, revenue is recognized when maintenance or services has been accepted, on straight-line basis during the maintenance or service performance period defined in the contract, or on the basis of the number of engineers expended or the number of units sold. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and subtracts discounts and other price concession. The Company's payment terms of its transactions are generally typical and agreed-upon deferred payment term is immaterial. Majority of payments of any maintenance and services are due within one year from when the Company recognized revenue, and do not contain a significant financing component which required to adjust the balance of account receivables. Sales revenue is recognized, unbilled amount is recorded as contract asset, and advance received from client is recorded as contract liability.

(3) Contract Balances

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Receivables from contracts with customers:		
Balance at beginning of year	¥ 30,390	$ 248,283
Balance at end of year	39,929	326,214
Contract assets:		
Balance at beginning of year	1,240	10,133
Balance at end of year	1,239	10,124
Contract liabilities:		
Balance at beginning of year	19,770	161,521
Balance at end of year	33,351	272,478

Notes:1.The amounts of recognized revenue included in the amounts of contract liabilities at the beginning of the fiscal years were ¥14,314 million ($116,947 thousand) and ¥12,780 million for the fiscal years ended March 31, 2022 and 2021, respectively.

2.In the previous and current fiscal years, the amount of revenue recognized from the fulfilled performance obligation in the past period is not significant.

3.Contract liabilities are mainly related to advances from clients.

(4) Transaction Prices Allocated to Remaining Performance Obligations

The following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2022:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Within one year	¥ 7,300	$ 59,642
After one year	10,392	84,899
Total	¥ 17,692	$ 144,541

20 SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segment of an Enterprise and Related information," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segment of an Enterprise and Related information," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how resources are allocated among the Group. The Group's reportable segments are Scientific Instruments, Industrial Equipment, and Medical Equipment. Scientific Instruments consist of the manufacture and sale of Transmission Electron Microscopes, NMR Spectrometers, Scanning Electron Microscopes, Mass Spectrometers, etc.; Industrial Equipment consists of the manufacture and sale of Electron Beam Lithography Systems, Wafer Inspection Systems, High Frequency Plasma Generators, etc.; Medical Equipment consists of the manufacture and sale of Clinalyzers, etc.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

Segment profit is based on operating income.

(3) Information about Sales, Profit (Loss), Assets, and Other Items

	Millions of Yen					
	2022					
	Reportable Segments				Reconciliations	Consolidated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Sales:						
Japan	¥ 34,265	¥ 4,805	¥ 11,565	¥ 50,635		¥ 50,635
North, Central and South America	11,541	2,872	6,191	20,604		20,604
China	12,816	3,869	1,293	17,978		17,978
Other	26,523	22,458	210	49,191		49,191
Revenue from contracts with customers	85,145	34,004	19,259	138,408		138,408
Sales to external customers	85,145	34,004	19,259	138,408		138,408
Intersegment sales or transfers						
Total	¥ 85,145	¥ 34,004	¥ 19,259	¥ 138,408		¥ 138,408
Segment profit	¥ 4,848	¥ 13,101	¥ 1,098	¥ 19,047	¥ (4,903)	¥ 14,144
Segment assets	87,560	31,800	16,287	135,647	53,915	189,562
Other:						
Depreciation	2,720	891	208	3,819	287	4,106
Increase in property, plant and equipment and intangible assets	2,149	3,541	1,035	6,725	168	6,893

Notes:1. Reconciliations of:

—Segment profit amounting to ¥(4,903) million includes common costs which are not distributed to any reportable segment. The common costs are mainly composed of the back-office expenses.

—Segment assets amounting to ¥53,915 million include common assets which are not distributed to any reportable segment. The common assets are mainly composed of cash surplus (cash and cash equivalents and time deposits) and long-term investments (investment securities).

—Depreciation amounting to ¥287 million includes depreciation of the general administration section that is not attributable to any reportable segment.

—Increase in property, plant and equipment and intangible assets amounting to ¥168 million includes common assets which are not distributed to any reportable segment.

2.Segment profit is reconciled to operating income in the consolidated statement of income.

	Millions of Yen					
	2021					
	Reportable Segments				Reconciliations	Consolidated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Sales:						
Sales to external customers	¥70,564	¥24,010	¥15,866	¥110,440		¥110,440
Intersegment sales or transfers						
Total	¥70,564	¥24,010	¥15,866	¥110,440		¥110,440
Segment profit	¥ 1,198	¥ 7,275	¥ 945	¥ 9,418	¥(4,194)	¥ 5,224
Segment assets	79,180	24,620	16,503	120,303	26,085	146,388
Other:						
Depreciation	2,634	611	156	3,401	225	3,626
Increase in property, plant and equipment and intangible assets	2,418	4,530	176	7,124	440	7,564

Notes:1. Reconciliations of:

—Segment profit amounting to ¥(4,194) million includes common costs which are not distributed to any reportable segment. The common costs are mainly composed of the back-office expenses.

—Segment assets amounting to ¥26,085 million include common assets which are not distributed to any reportable segment. The common assets are mainly composed of cash surplus (cash and cash equivalents and time deposits) and long-term investments (investment securities).

—Depreciation amounting to ¥225 million includes depreciation of the general administration section that is not attributable to any reportable segment.

—Increase in property, plant and equipment and intangible assets amounting to ¥440 million includes common assets which are not distributed to any reportable segment.

2. Segment profit is reconciled to operating income in the consolidated statement of income.

	Thousands of U.S. Dollars					
	2022					
	Reportable Segments				Reconciliations	Consolidated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Sales:						
Japan	$ 279,951	$ 39,256	$ 94,481	$ 413,688		$ 413,688
North, Central and South America	94,288	23,461	50,581	168,330		168,330
China	104,706	31,607	10,567	146,880		146,880
Other	216,688	183,484	1,715	401,887		401,887
Revenue from contracts with customers	695,633	277,808	157,344	1,130,785		1,130,785
Sales to external customers	695,633	277,808	157,344	1,130,785		1,130,785
Intersegment sales or transfers						
Total	$ 695,633	$ 277,808	$ 157,344	$1,130,785		$1,130,785
Segment profit	$ 39,606	$ 107,035	$ 8,972	$ 155,613	$ (40,056)	$ 115,557
Segment assets	715,357	259,803	133,067	1,108,227	440,483	1,548,710
Other:						
Depreciation	22,218	7,281	1,699	31,198	2,346	33,544
Increase in property, plant and equipment and intangible assets	17,555	28,934	8,454	54,943	1,373	56,316

Notes:1. Reconciliations of:

—Segment profit amounting to $(40,056) thousand includes common costs which are not distributed to any reportable segment. The common costs are mainly the back-office expenses.

—Segment assets amounting to $440,483 thousand include common assets which are not distributed to any reportable segment. The common assets are mainly cash surplus (cash and cash equivalents and time deposits) and long-term investments (investment securities).

—Depreciation amounting to $2,346 thousand includes depreciation of the general administration section that is not attributable to any reportable segment.

—Increase in property, plant and equipment and intangible assets amounting to $1,373 thousand includes common assets which are not distributed to any reportable segment.

2.Segment profit is reconciled to operating income in the consolidated statement of income.

Related Information

(1) Information about Products and Services

This information is omitted because it is provided as part of the reportable segment information.

(2) Information about Geographical Areas

a.Sales

Millions of Yen				
2022				
Japan	North, Central and South America.	China	Other	Total
¥ 50,635	¥ 20,604	¥ 17,978	¥ 49,191	¥ 138,408

Millions of Yen				
2021				
Japan	North, Central and South America.	China	Other	Total
¥ 40,316	¥ 17,308	¥ 15,058	¥ 37,758	¥ 110,440

Thousands of U.S. Dollars				
2022				
Japan	North, Central and South America.	China	Other	Total
$ 413,688	$ 168,330	$ 146,880	$ 401,887	$ 1,130,785

b.Property, plant and equipment

Millions of Yen		
2022		
Japan	Other	Total
¥ 18,595	¥ 3,055	¥ 21,650

Millions of Yen		
2021		
Japan	Other	Total
¥ 16,039	¥ 2,993	¥ 19,032

Thousands of U.S. Dollars		
2022		
Japan	Other	Total
$ 151,917	$ 24,963	$ 176,880

(3) Information about Major Customers

	2022	
	Millions of Yen	
Name of Customers	Sales	Related Segment Name
IMS Nanofabrication GmbH	¥ 16,695	Industrial Equipment

	2021	
	Millions of Yen	
Name of Customers	Sales	Related Segment Name
IMS Nanofabrication GmbH	¥ 11,845	Industrial Equipment

	2022	
	Thousands of U.S. Dollars	
Name of Customers	Sales	Related Segment Name
IMS Nanofabrication GmbH	$ 136,394	Industrial Equipment

(4) Information about Impairment Loss of Fixed Assets by Reportable Segment

There was no impairment loss for the year ended March 31, 2022, and information about impairment loss for the year ended March 31, 2021, was as follows:

	Millions of Yen					
	2021					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Impairment loss	¥ 1,017			¥ 1,017		¥ 1,017

(5) Information about Goodwill by Reportable Segment

	Millions of Yen					
	2022					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Amortization of goodwill	¥ 177	¥ 53		¥ 230		¥ 230
Goodwill at March 31, 2022	771	365		1,136		1,136

	Millions of Yen					
	2021					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Amortization of goodwill	¥ 549	¥ 41		¥ 590		¥ 590
Goodwill at March 31, 2021	916	386		1,302		1,302

	Thousands of U.S. Dollars					
	2022					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Amortization of goodwill	$ 1,442	$ 435		$ 1,877		$ 1,877
Goodwill at March 31, 2022	6,302	2,980		9,282		9,282

(6) Information about Negative Goodwill by Reportable Segment

There was no negative goodwill for the years ended March 31, 2022 and 2021.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of JEOL Ltd.:

Opinion

We have audited the consolidated financial statements of JEOL Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
(Valuation of goodwill and intangible assets) As stated in Note 3, "Significant Accounting Estimates," JEOL Ltd. recorded goodwill of ¥1,136 million (0.60% of total assets), intangible assets related to customer relationships of ¥569 million (0.30% of total assets), and intangible assets related to developed technology of ¥691 million (0.36% of total assets) as of March 31, 2022. Goodwill and intangible assets were recognized as a result of the acquisitions of JEOL KOREA LTD. ("JEOL KOREA"), and INTEGRATED DYNAMIC ELECTRON SOLUTIONS, INC. ("IDES"). In evaluating the goodwill and intangible assets, the determination of whether the excess earnings power and economic benefits based on the future business plan at the time of acquisition still exist at the end of the year is significantly affected by management's judgment. In particular, there are uncertainties in forecasting sales orders and sales volume for scientific instruments and industrial equipment for the following consolidated fiscal years because they are affected by the research and development budgets of government agencies and trends in capital investment of private sectors. We identified valuation of goodwill and intangible assets as a key audit matter because management's judgment on the estimation of the excess earning power of goodwill and the economic benefit of intangible assets is particularly significant for the financial statement audit for the current consolidated fiscal year.	In examining the evaluation of goodwill and intangible assets, we have performed the following audit procedures, among others: (1) Evaluating internal control In evaluating the goodwill and intangible assets, we evaluated the design and operating effectiveness of internal controls by inspecting whether the internal documents regarding impairment indication, which were prepared for each asset group, were approved by appropriate authorizers and by inquiring of the persons in charge on the process of preparing the internal documents and the surrounding judgments. (2) Evaluating the recoverability of goodwill and intangible assets • In order to evaluate the impairment indication judgments performed by the Group, we inquired of management and the management strategy planning office on whether there were any significant deteriorating changes in the business environment. • In order to evaluate the existence of abnormal fluctuations and reasonableness of the current performance and the future plans of JEOL KOREA and IDES, we inspected documents regarding the judgment involved in the evaluation of goodwill and intangible assets prepared by the Group, and made inquiries of the persons in charge. • In order to evaluate the reasonableness of sales orders and sales volume which were the main assumptions included in the estimates of the business plans, we performed our trend analyses based on the historical sales performance. • In order to evaluate the reasonableness of sales order backlog, we compared them with available external data, such as domestic research and development budgets and capital investment plans of major customers. • In order to evaluate there had been no decisions made, which relates to the impairment indication such as discontinuation or restructuring of the business, we inspected the minutes of the Board of Directors, approval documents and related materials.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

September 6, 2022